This Financial Report contains information on the fiscal position of the Province for the 1983-84 fiscal year. The year was one of economic recovery in Manitoba following the recession of 1981 and 1982 and the pervasive weakness of the late 1970's. Employment in Manitoba regained and exceeded pre-recession levels earlier than in most other provinces.

The Manitoba Jobs Fund, introduced in the 1983 Budget, supported the economic recovery by providing a coordinating mechanism for the Province's job creation initiatives. In its first year, the Jobs Fund concentrated on measures including wage assistance and housing programs to address the immediate unemployment crisis, and began laying the ground work for longer term initiatives to improve the productive potential of the economy and provide assets of lasting benefit to Manitobans.

Manitoba's proposals for a National Economic Recovery Program formed the basis for negotiations with the federal government for a new Economic and Regional Development Agreement (ERDA) to replace the former General Development Agreement and to coordinate federal and provincial programming in a number of sectors of the economy. In November, 1983, Manitoba became the first province to conclude such an agreement. The Federal and Provincial Governments have committed over $400 million to ERDA programs for a five-year period, commencing April 1, 1984.

Economic improvement during the year contributed to a substantial reduction in the total budgetary requirement and net operating deficit from the amounts budgeted in February, 1983.

In overall terms, expenditure increased $382 million or 13.4% from $2,844 million in 1982-83 to $3,226 million in 1983-84. Revenue increased $388 million or 16.1% from $2,409 million in 1982-83 to $2,797 million in 1983-84.

The Report shows a total budgetary requirement of $429 million, an improvement of $150 million from the amount initially budgeted and $6 million lower than in 1982-83. The net operating deficit of $166 million was down $31 million from the previous year. The lower total budgetary requirement was the result of both lower expenditure and higher revenue than Budget estimates. Actual expenditure was contained to $101 million or 3.0% below Budget while actual revenue was $49 million or 1.8% above Budget.

In developing budgetary policies for the 1983-84 and subsequent fiscal years, our Government initiated pre-Budget economic and fiscal consultations with labour and business leaders in the Province. During the year, we held further consultations throughout the Province with representatives from publicly funded institutions and organizations as well as labour, business and community leaders in order to assess our economic and fiscal progress and to discuss funding guidelines for the subsequent year.

I believe these consultations have provided a valuable forum for the exchange of information and perspectives between Manitobans and their Government. They have made a significant contribution both to the development of budgetary policies which are sensitive to the needs of communities in our Province and to a broadly-based understanding of provincial affairs.

Our Government is committed to a continuation of the consultative and co-operative process which has played such an important role in rebuilding confidence and security in our economy in recent years. We believe that the dedication and co-operative efforts of Manitobans are the greatest strength of our Province. Ordinary Manitobans throughout the Province have told us of the priority they place on job creation and high quality public services. Our Government will continue to provide the leadership and support which will help turn those aspirations into reality.

V Schroeder

Vic Schroeder,
Minister of Finance
April, 1985

ECONOMIC STATISTICS

Gross Provincial Product

Manitoba's Gross Provincial Product is estimated to have reached $15.3 billion in 1983, an increase of $1.2 billion over 1982. Manitoba was one of the first provinces to recover recession losses in employment, in August, 1983. At the end of 1983, employment in seven provinces remained below pre-recession levels while employment in Canada as a whole was 1.5% lower than the pre-recession peak. Economic recovery in Manitoba was particularly apparent in the residential construction sector and among related manufacturing and trade industries. The service sector, which had held up well during the recession, continued to perform better than the national average, both in terms of job creation and overall growth in output.

Sectoral Developments

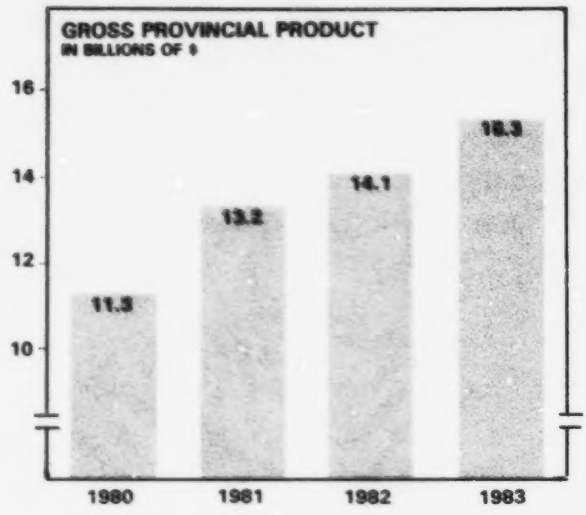
The value of agriculture production totalled approximately $2.0 billion in 1983, 1.1% below its 1982 record level. The value of crop production declined 2.9% to $1,392 million in 1983 as lower yields, due to less favourable weather conditions than in 1982, reduced overall production while prices averaged higher for virtually all crops. The value of production of livestock and other products increased 3.6% to $602 million, primarily because of increases in the value of cattle and dairy products. The overall recovery in livestock, however, was dampened by declines in hog prices which more than offset higher production. Sales from inventory enabled Manitoba farmers to meet record export demand for grain in 1983 and contributed to the 2.9% increase in realized gross income to $1,747 million. At the same time, operating and depreciation charges increased by only 2.3%, thus raising realized net income by 7.1% to about $220 million.

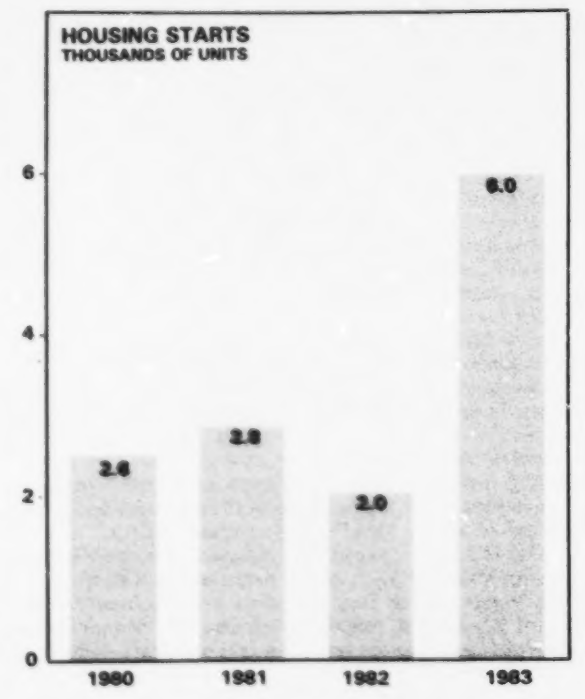
In 1983, following two years of decline, the value of mineral production increased by 25.9% to an estimated $694 million. Higher production volumes of nickel, copper and zinc as well as higher prices for most metals, with the exception of nickel, provided for a 33.4% increase in the value of metal production to $471 million. Petroleum production recorded its second consecutive increase and a 19.5% rise in average wellhead prices increased the value of petroleum production to an all-time high of $153 million, 51% more than in 1982.

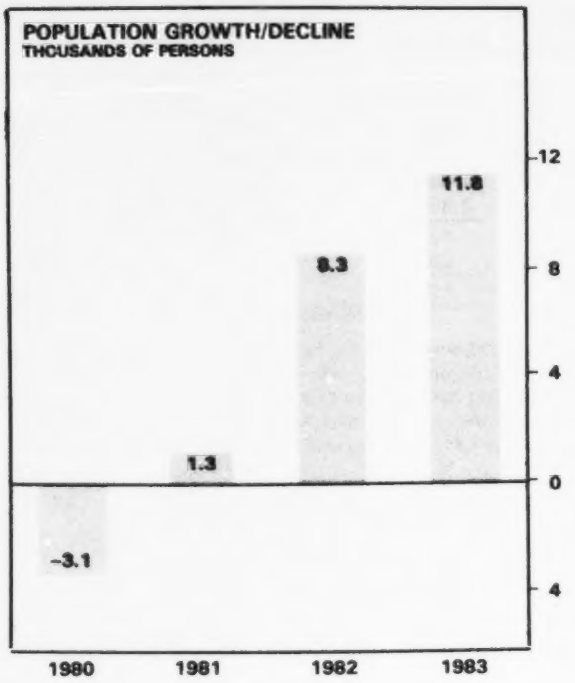
The value of manufacturing shipments remained at just over $4.8 billion in 1983, 0.3% below its 1982 total. Employment, however, averaged 59,000 in 1983, 1.7% higher than in 1982. Performance varied appreciably among the Province's major manufacturing industries. Strongest growth in the value of shipments was recorded in non-metallic minerals, wood, furniture and fixtures, chemicals, printing, publishing and allied industries. Gains in these areas, however, were offset by declines in the value of shipments of machinery, fabricated metals and electrical products.

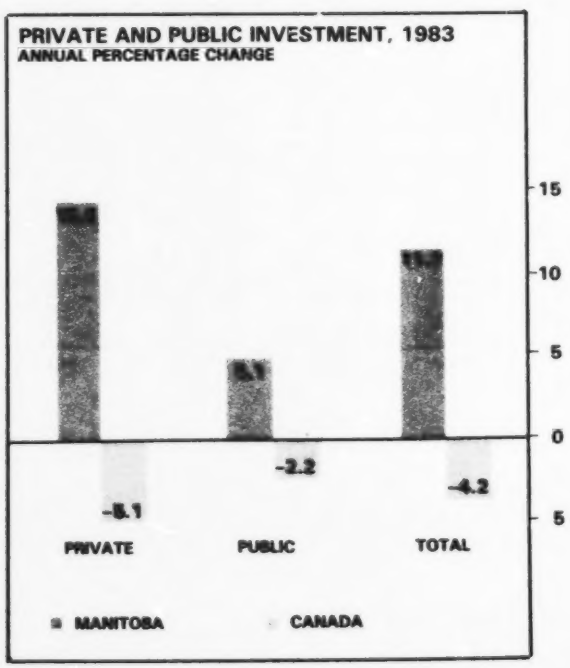
Residential construction activity rose to a five-year high in 1983 as 5,985 housing starts were recorded, almost triple the number in 1982. A number of factors, including provincial and federal housing programs, lower interest rates, low levels of available housing and a reversal of the out-migration trend of the late 1970's combined to generate this increase in residential construction.

As the economy commenced its first year of recovery from the recession in 1983, growth in the service sector continued to outpace goods production. Employment increases were recorded in trade, public administration and community, business and personal services. The value of retail trade advanced by 7% in 1983 to just over $4.0 billion while wholesale trade (excluding grain) increased by 12% to approximately $4.7 billion. Gross tourism expenditures increased by a modest 1.3% in 1983 to $592 million. Although spending by Manitobans continued at a healthy pace, the number of visitors from out of province was about 10% lower than in 1982.









Employment and Incomes

Total employment in Manitoba averaged 460,000 in 1983, an increase 6,000 or 1.3% from 1983. In Canada, meanwhile, employment growth advanced by only 0.8%. Increased labour force participation, particularly among adult women and males, combined with net population migration inflows pushed labour force growth above employment growth in 1983. Consequently, Manitoba's unemployment rate averaged 9.4% in 1983 compared to 8.5% in 1982. Although unacceptably high, it was the second lowest rate among the provinces. In Canada, the unemployment rate averaged 11.9%, up from 11.0% in 1982. The higher average unemployment rate in 1983 masked the reduction which occurred over the course of the year, as the Province's unemployment rate declined from 10.6% in December, 1982 to 8.4% in December, 1983.

For the calendar year 1983, Manitoba recorded its second consecutive gain in net interprovincial migration. Total population as of June 1, 1983 is estimated to have reached 1,046,300, an increase of 20,100 from June 1, 1981—the largest two-year increase in the Province's population since the early 1960's.

Personal income is estimated to have risen by 5.5% to $13.2 billion in 1983. Labour income increased 5.7% to $8.3 billion in Manitoba compared to 5.5% in Canada, reflecting the Province's better record of job creation. Net farm income which includes an adjustment for changes in the value of inventory declined in 1983 as much of the increase in grain sales was met by drawing down inventories. Personal disposable income increased by 4.1% in 1983 to an estimated $11.1 billion. Growth in the Consumer Price Index for Winnipeg slowed to 6.7% in 1983, down from the 8.8% recorded in 1982 and 11.1% in 1981.

Investment

In Manitoba, capital investment in 1983 totalled $2.2 billion, 11.7% above its 1982 level, whereas a decline of 4.2% was recorded in Canada. Capital investment growth was concentrated in the housing and service sectors. Investment in housing construction increased by 137.7% in 1983, the most rapid growth of any sector in the economy. Private sector capital investment in Manitoba increased by 15.2% in 1983 which was dramatically better than the 5.1% decline reported at the national level. Similarly, public sector capital investment rose by 5.1% in Manitoba but declined by 2.2% in Canada.

FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL POSITION

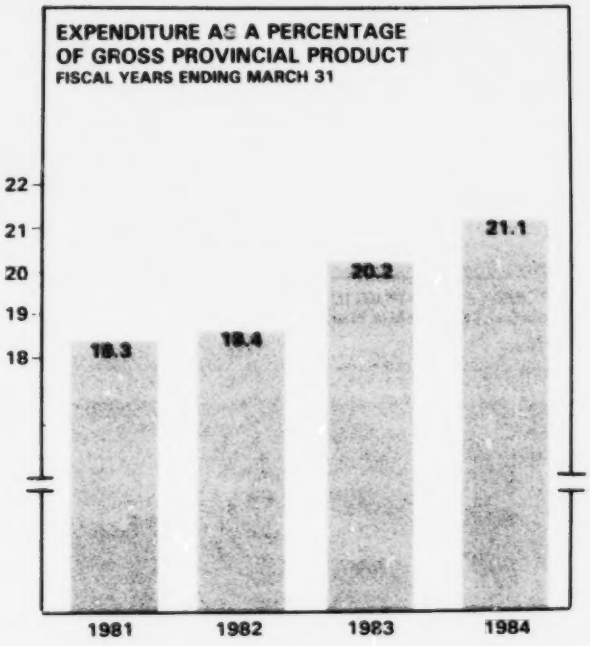
	1982-83	1983-84	
	Actual	Budget	Actual
		(millions of dollars)	
Total Current and Capital Expenditure	2,844	3,327	3,226
Less: Total Revenue	2,409	2,748	2,797
Total Budgetary Requirement	435	579	429
Less: Gross Capital Expenditure	238	284	263
Net Operating Deficit	197	295	166

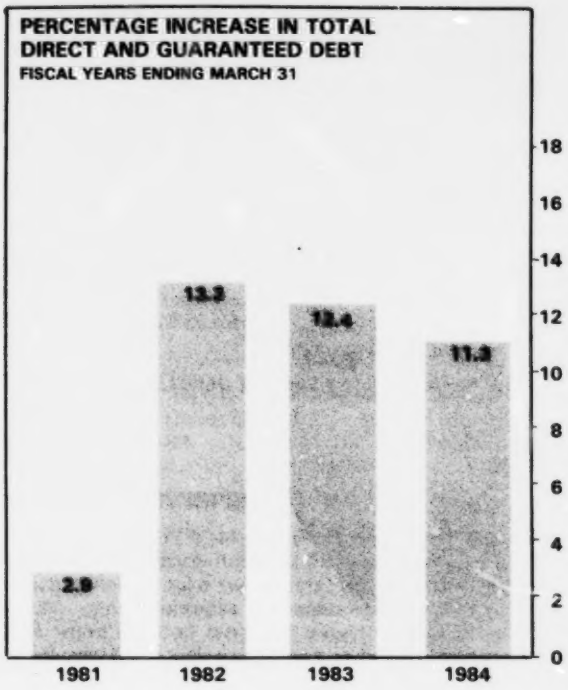
In 1983-84, the total budgetary requirement was $429 million, an improvement of $150 million from the budgeted level of $579 million and down $6 million from the requirement in1982-83. The net operating deficit was $166 million, down $31 million from 1982-83. The total budgetary requirement and net operating deficit were budgeted in order to continue the Government's policy of providing needed support to the economy while the recovery took hold. Subsequent improvement in the requirement and deficit projections resulted from both lower actual expenditure and higher actual revenue.

Expenditure and Revenue

Total expenditure in the 1983-84 fiscal year amounted to $3,226 million, an increase of $382 million or 13.4% over the 1982-83 total of $2,844 million. Expenditure containment initiatives introduced as inflation declined and the economy strengthened, contributed to actual expenditure being $101 million lower than budgeted. Expenditure related to health and education programs accounted for 50% of total expenditure while expenditure related to economic development including the Manitoba Jobs Fund accounted for 18%. Public debt costs amounted to $240 million or 7% of total expenditure in 1983-84. Expenditure as a share of Gross Provincial Product reached 21% in 1983-84 reflecting the support to the economy provided by provincial programs.

Total revenue in 1983-84 amounted to $2,797 million, an increase of $388 million or 16.1% from $2,409 million in the previous year. Transfer payments from the federal government contributed $1,038 million or 37.1% of total revenue, down from 38.1% in1982-83 and 42.6% in 1979-80. The remaining revenue was from the Province's own sources. The retail sales tax rate was increased from 5% to 6% effective March 6, 1983. Manitoba's retail sales tax is second lowest among provinces levying a general sales tax.



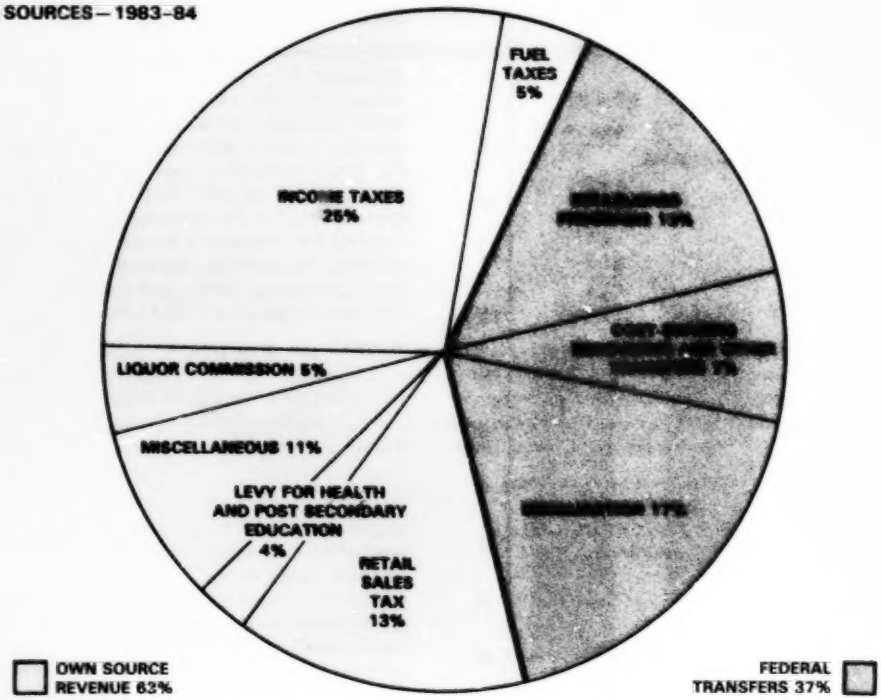


Direct and Guaranteed Debt

The combined Direct and Guaranteed Debt of the Province increased at a rate of 11.3% in 1983-84 with a net increase of $596 million to reach a level of $5,853 million after deduction of accumulated Sinking Funds and with foreign currency debt valued at exchange rates in effect at the time borrowing took place. At 11.3%, the rate of growth was slightly less than the compound annual growth rate for the ten-year period from 1974-84, which was 12.4%. When the foreign currency debt is expressed in terms of exchange rates in effect on March 31, 1984, the outstanding Direct and Guaranteed Debt of the Province amounted to $7,107 million.

PROVINCIAL REVENUE

MAJOR REVENUE SOURCES—1983-84



The Revenue of The Province includes its own taxation levies, a variety of fees, licences and charges, profits derived from the Liquor Control Commission and payments from the Federal Government under fiscal arrangements and shared cost programs. It does not include cash received as the proceeds from borrowing nor does it include revenues earned by Crown Corporations, Agencies, Boards and Commissions, with the exception of the Liquor Control Commission.

In the 1983 Budget, revenue for the 1983-84 fiscal year was estimated at $2,748 million. By year-end, the actual revenue total had increased by $49 million from the budget estimate, to a total of $2,797 million.

Approximately 63% of the Province's total revenue in 1983-84 was derived from its own sources, with the balance attributable to federal transfers. The following is a summary of the major revenue sources. A Statement of Revenue, by source, is found on page 18 of this publication.

"OWN SOURCE" REVENUE

The Majority of "Own Source" revenue, which totalled $1,759 million in 1983-84, is derived from taxation with the remainder coming from other sources such as the Liquor Control Commission, automobile and motor carrier licenses and fees and water power rentals.

INCOME TAXES

The individual income tax, which totalled $596 million in 1983-84, remains the largest single revenue source for the Manitoba Government. The Manitoba individual income tax basic rate is 54% of basic federal tax with a 20% surtax payable on taxable income in excess of $25,000. The tax is collected for the Province by the Federal Government under a long-standing agreement. The Federal Government makes instalment payments to the Province during the year based on the estimated revenue for the year. Adjustments are also made for prior years as information on actual collections becomes available.

Corporation income tax revenue in 1983-84 totalled $111 million. Effective January 1, 1983 the Corporation income tax rate on large business income was increased from 15% to 16% and the special Manitoba Corporation income tax rate on small business income was restricted to active business income. As in the case of the individual income tax, the corporation income tax is collected for the Province by the Government of Canada.

RETAIL SALES TAX

The Province also obtains revenue from a range of taxes on the sale and use of various goods and certain services. The most significant of these taxes is the Retail Sales Tax, which yielded $355 million in 1983-84. The general Manitoba sales tax rate under the Retail Sales Tax Act and the Revenue Act, 1964, Part I was increased from 5% to 6% effective March, 1983.

LEVY FOR HEALTH AND POST SECONDARY EDUCATION

The Health and Post-Secondary Education Levy resulted in revenue of $108 million for 1983-84. The levy is 1.5% of the total compensation paid by employers and came into effect on July 1, 1982 for all employers except for Local Governments, Municipalities and School Divisions. These entities commenced paying the levy January 1, 1983.

FUEL TAXES

Gasoline Tax collections in 1983-84 totalled $100 million and Motive Fuel Tax totalled $42 million.

LIQUOR CONTROL COMMISSION

Profits from the Liquor Control Commission totalled $128 million in 1983-84.

FEDERAL TRANSFERS

Approximately 37% of the Province's total revenue in 1983-84 was attributable to Federal transfer payments which generally take two forms. Unconditional transfers involve general-purpose payments designed to assist in supporting a broad range of provincial services. Conditional transfers involve payments to help cover part of the costs of special programs provided by the Province.

Unconditional Transfers

The two largest Federal unconditional transfer programs are the Revenue Equalization Program and the Established Programs Financing Arrangements, both of which were affected by amendments to Federal Legislation effective for 1982-83 and subsequent years.

Under the Equalization Program, the Federal Government provides payments to a number of Provinces to supplement their per capita revenue from a broad range of their "own source" revenue. The payments which Provinces receive each year reflect both Federal estimates of entitlements for the current year and adjustments for prior years based on revised calculations of tax bases, tax rates and population. The initial budget estimate of Manitoba's equalization revenue for 1983-84 was $455 million. However, a series of revised Federal calculations resulted in actual receipts of $478 million, some $23 million higher than the initial estimate and $20 million above the $458 million equalization total received in 1982-83.

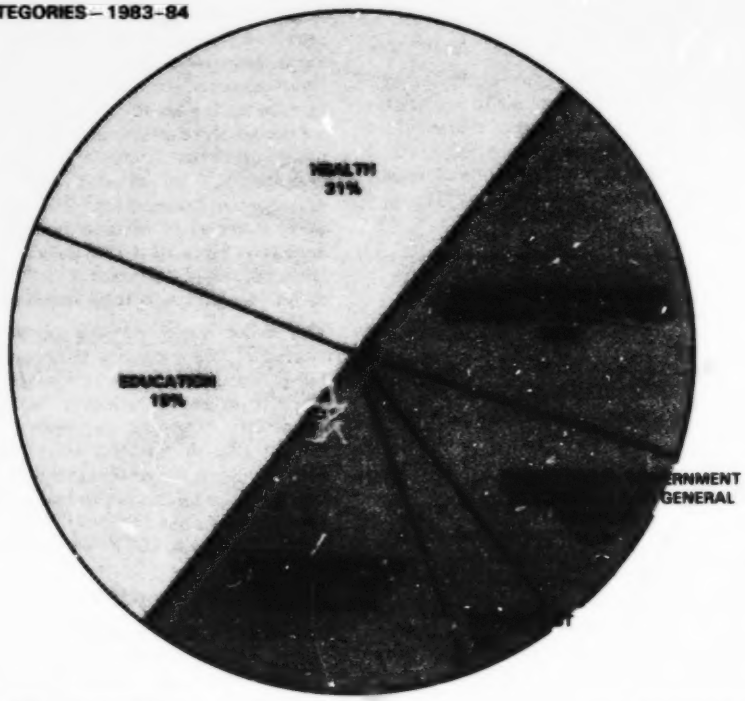
The other major general purpose transfer payment included in this category is received under the Established Programs Financing Arrangements. This "block funding" transfer is made available for general health and post-secondary education program purposes but is not calculated in relation to provincial costs for such programs. Contributions under this program are made on a per capita basis and are adjusted in line with changes in the growth rate of the Gross National Product. Established Programs cash receipts in 1983-84 totalled $367 million.

Conditional Transfers

In 1983-84, the Province received $191 million from the Federal Government through a variety of cost-sharing agreements under which the Federal Government reimburses the Province for a portion of expenditures incurred on specific programs. The largest of these programs provide Federal support for social assistance and social services under the Canada Assistance Plan, manpower training under agreements with the Canada Employment and Immigration Commission, and economic development under a series of agreements with the Federal Department of Regional Economic Expansion.

PROVINCIAL EXPENDITURE

MAJOR EXPENDITURE CATEGORIES – 1983-84



HEALTH AND EDUCATION 50%

OTHER PROGRAMS 50%

The Provincial Expenditure of a particular fiscal year consists of all payments made from the voted and statutory appropriations of that fiscal year. This total includes both "current" or "operating" expenditure as well as expenditure on items of a "capital" nature.

Expenditure Authority

"Voted" appropriations accounted for 93% of the 1983-84 expenditure. These amounts were expended on the authority of a supply vote in the Legislature or by special warrant approved by the Lieutenant Governor of Manitoba. Statutory appropriations, which accounted for the balance of the expenditure, were made on the authority of various provincial statutes and included such items as debt servicing costs and payments for hydro rate stabilization.

The total expenditure authority available to the Government for the 1983-84 fiscal year was $3,385 million. Actual expenditure for the year totalled $3,226 million or $159 million less than the total authority. Authority which is not utilized in a fiscal year lapses and cannot be carried forward to the following year.

A statement of expenditure, by department is found on page 17 of this publication. The classification of expenditure on this statement for the fiscal years 1982-83 and 1983-84 has been adjusted to reflect the reorganization of Departments instituted by the Government in November 1983.

Major Expenditure Categories

Departmental expenditure for 1983-84 is classified in the following Major Expenditure Categories:

HEALTH

The expenditure of the Department of Health amounted to $1,001 million or 31% of the total provincial expenditure in 1983-84. Health is the largest department in the Government and is responsible for a broad range of programs, many of which are administered through the Manitoba Health Services Commission. Programs administered through the Health Services Commission are the Hospital Program for $538 million, the Medical Program for $191 million, the Personal Care Home Program for $137 million, and the Pharmacare Program for $21 million. The Department also provided institutional care for the mentally ill at a cost of $32 million.

EDUCATION

Education is the second largest department of the Government, with expenditure totalling $610 million or 19% of the total provincial expenditure in 1983–84. Financial support is provided through the Department both to Public Schools for $362 million and to post-secondary institutions, including the Province's Community Colleges for $54 million and its Universities for $154 million through the Universities Grants Commission.

INCOME ASSISTANCE AND COMMUNITY SERVICES

Expenditure in this category amounted to $480 million or 15% of the total provincial expenditure in 1983–84.

Income Assistance expenditure for certain major programs, including the Property Tax Credit Program, the Pensioners' School Tax Assistance Program and the Cost of Living Tax Credit Program totalled $181 million in 1983–84. These programs are the responsibility of the Department of Finance which administers them in conjunction with the Department of Municipal Affairs, the Manitoba Housing and Renewal Corporation and Revenue Canada.

Expenditure in this category for 1983–84 by the Department of Community Services and Corrections totalled $146 million. The largest portion of these funds were required for Child and Family Services programs for $44 million, Community Social Services for $9 million, Rehabilitative Services for $45 million, Day Care Services for $15 million and Corrections and Probation Services for $29 million. The Department of Employment Services and Economic Security has expenditures in this category of $153 million which were required for various forms of social programming, including Social Allowances for $129 million, the Manitoba Supplement for Pensioners for $3 million and the Child Income Support Program for $7 million.

ECONOMIC DEVELOPMENT INCLUDING THE JOBS FUND

Expenditure in this category amounted to $573 million or 18% of the total provincial expenditure in 1983–84. Included in this category are programs designed to sustain and encourage economic development and job creation in the private sector.

Highways and Transportation

Expenditure by the Department of Highways and Transportation totalled $187 million in 1983–84. Approximately $87 million of this total was expended on the continued construction of the highway system to service existing and new industries, resources and tourism, while an additional $51 million was expended on the maintenance program for the primary and secondary road system and for northern airports.

Jobs Fund

Jobs Fund expenditure totalled $72 million in 1983–84. Approximately $36 million of this total was expended on projects of a capital nature and included such items as $1 million for sewer and water, $5 million for the University of Winnipeg Field House, $3 million for the University of Manitoba Earth Science Building, $2 million for the Red River Community College Diesel Shop Expansion, $4 million for the Northern Employment Program, $3 million for City of Winnipeg Street Resurfacing, $5 million for the Municipal Assets Program and $4 million for Road Construction.

Natural Resources

Expenditure by the Department of Natural Resources totalled $84 million in 1983–84. This total included major expenditures for parks, water resources, forestry and other services.

Northern Affairs

Expenditure by the Department of Northern Affairs totalled $26 million in 1983–84. This total includes the $9 million expended under the Canada-Manitoba Northern Development Agreement.

Agriculture

Department of Agriculture expenditure totalled $48 million, covering a broad range of services to the extremely important agricultural sector of the economy.

Housing

Expenditure by the Department of Housing totalled $37 million in 1983–84. This total included expenditures to the Manitoba Housing and Renewal Corporation for $35 million to provide assistance to low income Manitobans with respect to housing rental and repair, including the Shelter Allowance for Elderly Renters and the Shelter Allowance for Family Renters.

Hydro Rate Stabilization

Payments of $22 million were made under the Hydro Rate Stabilization Program.

Other

Significant expenditure by other departments for Economic Development in 1983–84 were made by Business Development and Tourism for $16 million, Culture Heritage and Recreation for $16 million, Energy and Mines for $11 million, Environment and Workplace Safety and Health for $15 million, Industry Trade and Technology for $10 million and $5 million for Emergency Interest Rate Relief.

DIRECT LOCAL GOVERNMENT ASSISTANCE AND GENERAL SERVICES

This category includes the provision of Government space requirements, financial management and other general central services of the Government. Expenditure in 1983–84 was $322 million or 10% of the total provincial expenditure.

The largest part of this total was expended by the Departments of Municipal Affairs and Urban Affairs whose combined expenditure totalled $96 million in 1983–84. The total includes direct assistance to municipalities through such programs as block funding for the City of Winnipeg and grants in lieu of taxes.

Unconditional income tax transfers to municipal governments in the amount of $30 million for 1983–84 are not included in these totals, but are shown as reductions from personal and corporation income tax revenue.

The total also includes expenditure by the Departments of Government Services for $76 million, Attorney General for $66 million, Civil Service for $39 million, Finance for $13 million and Legislation and Executive Council for $10 million.

PUBLIC DEBT

The costs of servicing the debt of the Province, which is paid from a statutory appropriation, amounted to $240 million or 7% of the total provincial expenditure in 1983–84. This is a net expenditure after deduction of the interest revenue received by the Province on loans and advances and from the investment of the Government's cash flow and sinking funds.

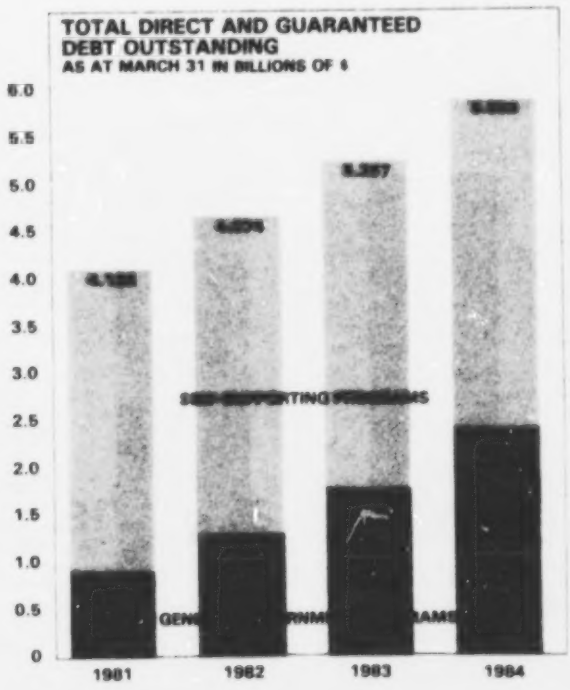
Direct and Guaranteed Debt

The Province of Manitoba incurs "direct debt" through the issuance of bonds, debentures and other securities to secure funds for its own needs as well as for the capital requirements of certain of its Agencies. Debt incurred on behalf of these Agencies is generally self-supporting so that any debt service charges paid on this debt are recovered directly from the Agency.

In addition to having direct debt, the Province also acts as a guarantor of securities issued by various other entities. This "guaranteed debt" is largely self-supporting although a part of it is on behalf of universities and hospitals that are serviced in whole or in part from Government appropriations.

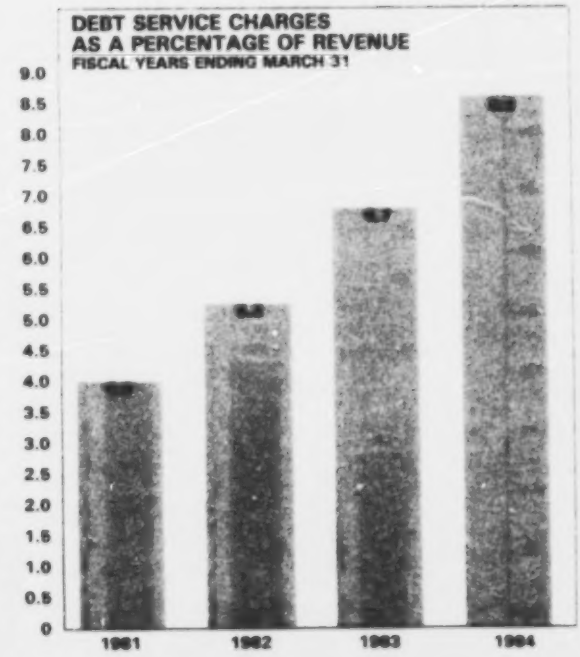
There is a requirement to maintain sinking funds for the repayment of both "direct debt" and "guaranteed debt" of the Province. These sinking funds are generally deducted from the applicable debt when determining the outstanding debt of the Province.

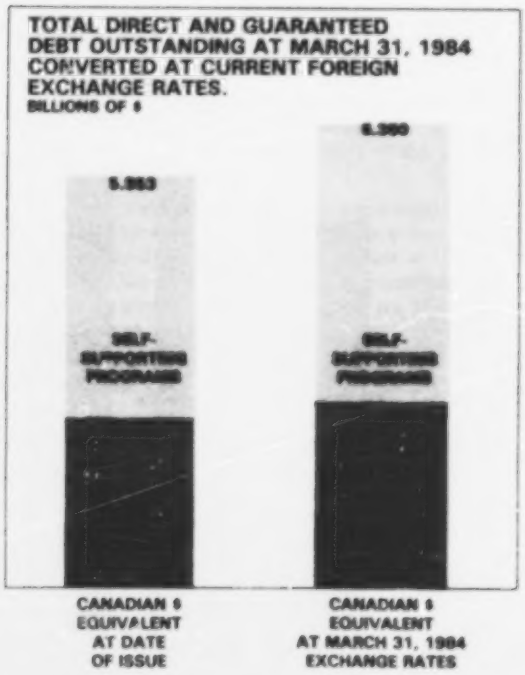
At March 31, 1984, the combined direct and guaranteed debt of the Province less securities held in the sinking fund for debt redemption reached a level of $5,853 million of which $3,431 million represented debt issued for self-supporting programs. During the fiscal year ended March 31, 1984, the combined debt increased 11.3%.



Debt Service Charges

In the fiscal year ended March 31, 1984, the cost of servicing debt issued for the purpose of general Government programs reached a level of $240 million and represented approximately 8.6% of gross provincial revenue.





Valuation of Foreign Debt

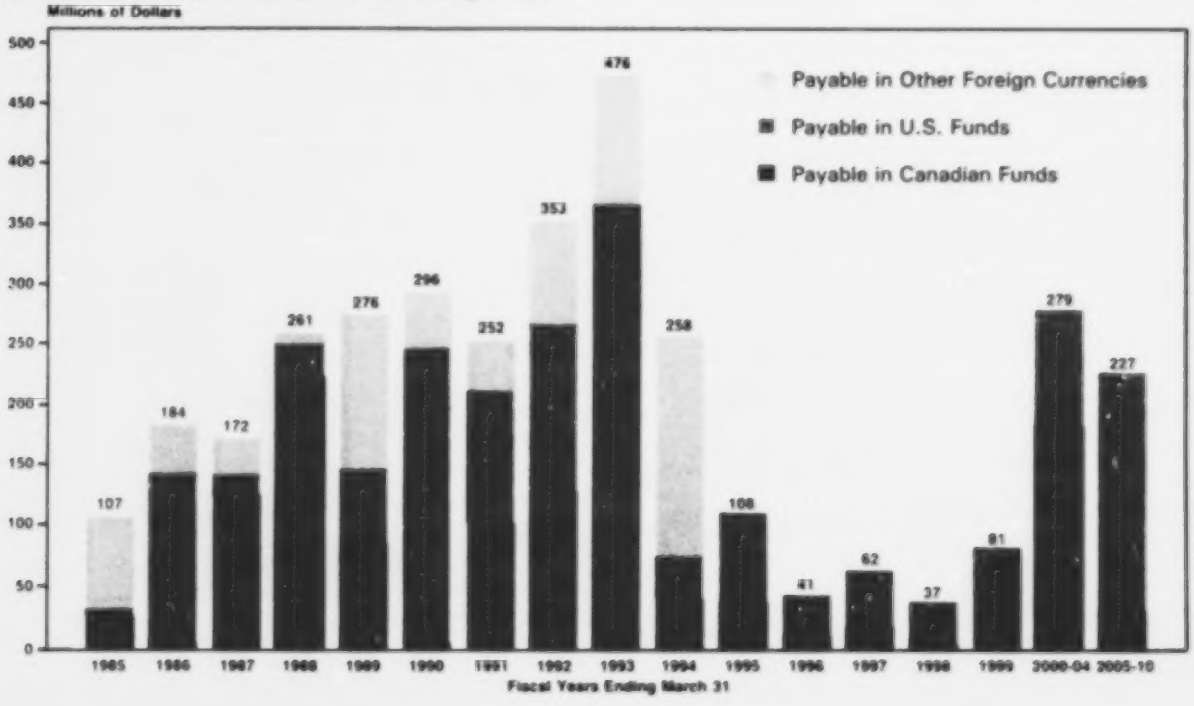
At March 31, 1984, approximately 50% of the combined debt was payable in foreign currencies, subjecting the Province to significant foreign exchange exposure. The combined debt figures previously referred to reflect the Canadian dollar equivalent of the value of the foreign debt at time of issue. If the figures were to reflect foreign exchange values at March 31, 1984, the debt would increase by approximately $497 million.

Although 65% of the combined foreign currency debt is payable in U.S. Dollars with the balance being in various European and Asian currencies, 72% of the foreign exchange fluctuation is attributable to U.S. Dollars.

Debt Refinancing

During the next decade, excluding $130 million of Treasury Bills assumed to be continually refinanced, $3,965 million of the combined direct and guaranteed debt matures against which it is estimated that the Province will have accumulated approximately $1,326 million of sinking funds to be applied against such maturities leaving approximately $2,639 million of the debt to be refunded. These figures are based on the value of the debt calculated at foreign exchange values on date of issue for all foreign debt.

Direct and Guaranteed Debt — Refunding Requirements (Net of Sinking Funds) by Fiscal Year Based on the Canadian Dollar Equivalent on Date of Issue for all Foreign Debt.



Financial Statements

for the year ended

March 31, 1984

INTRODUCTION

The Public Accounts

"Public Accounts" is the term commonly used to describe the complete set of financial statements prepared annually by the Government of the Province of Manitoba. The requirement for the preparation of the Public Accounts is statutory, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts are published in two volumes. The first volume contains the audited Financial Statements for the fiscal year, which are prepared in accordance with the accounting policies of the Government. It includes, as well, detailed accounting information and the Provincial Auditor's Report on the Public Accounts. The second volume contains Supplementary Information regarding details of salaries and wages paid to employees, payments to corporations, firms, individuals, municipalities and payments from departmental appropriations during the fiscal year.

Accounting Policies

The accounting policies of the Government are a set of standards or practices that the Government has adopted for purposes of accounting and financial reporting. The practices followed by the Manitoba Government are those generally accepted for accounting and financial reporting by Governments in Canada, although some differences exist between Provinces. Any changes in accounting policies from those followed in the preceding year must be reported in the Public Accounts. In this publication, significant changes will be explained in the Notes to the Financial Statements.

The accounting policies followed by the Government of the Province of Manitoba with respect to the preparation of the financial statements included in the Public Accounts as well as those in this publication are reprinted on page 28. This information is organized into two sections:

Statement
This is a brief summary of the basic accounting policies followed by the Government.

Application
This section describes in more detail the application of the accounting policies to the Revenue and Expenditure of the fiscal year and to the Asset and Liability Accounts reported at fiscal year end.

Notes to the Financial Statements

While the Application section of the accounting policy describes the general content of the accounts shown in the Government's financial statements, explanation may be required of specific items included in these accounts or of changes that have occurred since the previous fiscal year. This is done by means of Notes to the Financial Statements which then become an integral part of the financial statements and are required for better understanding of the information presented.

Statements included in Financial Report—1983-84

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of "The Consolidated Fund" are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the various categories of trust money administered by the Government.

This publication includes the following "Operating Fund" financial statements which are taken from the Public Accounts and further summarized for presentation purposes. The trust administration activities of the Government are reflected in these statements only to the extent that trust money is held and invested through the Operating Fund by the Minister of Finance:

Statement of Changes in Financial Position—Operating Fund

This statement summarizes the changes that have occurred in the financial position of the Province during the fiscal year. It states the Net Financial Requirement for the fiscal year as well as how the financing was provided to meet this requirement. Further supporting information for this statement is contained on the following four statements:

Statement of Expenditure
This statement provides a breakdown, by department, of the Expenditure for the fiscal year as shown on the Statement of Changes in Financial Position.

Statement of Revenue
This statement provides a breakdown, by Revenue source, of the Revenue for the fiscal year as shown on the Statement of Changes in Financial Position.

Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables
This statement, which summarizes the increases and repayments that have occurred during the fiscal year in long-term investments, advances and other receivables, provides further detail for the net increase in these accounts as shown on the Statement of Changes in Financial Position.

Summary Statement of Debt Transactions
This statement, which summarizes the purpose for which money was borrowed and the retirement of debt during the fiscal year, provides further detail for the increase in debt as shown on the Statement of Changes in Financial Position.

Operating Fund Assets and Liabilities

This statement shows the Assets and Liabilities of the Operating Fund as at the end of the fiscal year. Notes to the Financial Statements are used extensively with this statement to provide further information on the content of the Assets and Liability Accounts.

Excess of Liabilities over Recorded Assets

The account shown on this statement records the amount by which the liabilities of the Province exceed its recorded assets. This amount results essentially from an accumulation of the following:

- Operating surpluses or deficits of the Province in preceding fiscal years.
- Advances to and investments in Government Agencies that have been written off as well as a provision for losses on advances and investments that are presently outstanding.

This statement presents the net results of the changes that have occurred in the Province's assets and liabilities during the fiscal year.

Statement of Valuation and Purpose of Bonds, Debentures and Other Long-Term Debt Outstanding

The Province records the liability for foreign debt based on the Canadian Dollar equivalent of the par value converted at the rate of exchange in effect at the date of issue. The annual fluctuation in potential debt repayment cost resulting from changes in currency values is not reflected in the books of the Province. However, a Statement of Valuation and Purpose of Bonds, Debentures and Other Long-Term Debt Outstanding at the year end, showing the comparison between the value of the outstanding direct and guaranteed debt, based on rates of exchange in effect at year end, to the Province's recorded liability, is included for information purposes. This statement provides a breakdown of the debt by currency as well as by purpose for which the debt was issued.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF CHANGES IN FINANCIAL POSITION – OPERATING FUND

For the Year Ended March 31, 1984

		March 31, 1984 ($ millions)		March 31, 1983 ($ millions)
Expenditure		3,226		2,844
Revenue		2,797		2,409
Excess of Expenditure over Revenue		429		435
Prior Years' Adjustments:				
Provincial Grant Payments to School Divisions (Note 1)	72		–	
Provincially Collected Tax Revenue (Note 2)	(40)	32	–	–
Decrease in Reserves for Depreciation and Replacement		–		1
Cash Transfer on Dissolution of the Manitoba School Capital Financing Authority (Note 3)		(3)		–
Net Increase in Respect of:				
Advances to Crown Corporations, Agencies, Boards and Commissions	145		363	
Long-Term Investments	4		4	
Other Advances and Receivables	6		5	
	155		372	
Principal Repayments on Serial Debentures Transferred from the Manitoba School Capital Financing Authority (Note 3)	(11)	144	–	372
Net Financial Requirement		602		808
Financing was provided by:				
Debt Transactions				
Proceeds of loans	1,051		910	
LESS: Retirement of Loans	305		128	
	746		782	
Less: Net Contributions to Sinking Funds	103		71	
Net Proceeds from Borrowing		643		711
Financing Exceeded Requirement		41		(97)
Working Capital (Deficiency) Beginning of Year		(77)		20
Working Capital (Deficiency) End of Year		(36)		(77)

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF EXPENDITURE

For the Year Ended March 31, 1984

	March 31, 1984 ($ millions)	March 31, 1983 ($ millions)
Legislation	7	6
Executive Council	3	3
Agriculture	48	57
Attorney-General	66	60
Business Development and Tourism	16	13
Civil Service	39	29
Community Services and Corrections	146	134
Consumer and Corporate Affairs	4	4
Co-operative Development	6	5
Crown Investments	1	1
Culture Heritage and Recreation	18	17
Education	543	571
Public Schools Support (Note 1)	67	–
Employment Services and Economic Security	161	138
Energy and Mines	11	11
Environment and Workplace Safety and Health	15	10
Finance	456	354
Government Services	76	64
Health	1,001	906
Highways and Transportation	187	201
Housing	37	38
Industry Trade and Technology	10	9
Labour	9	8
Municipal Affairs	32	30
Natural Resources	84	77
Northern Affairs	26	22
Urban Affairs	64	59
Emergency Interest Rate Relief	5	4
Flood Control and Emergency Expenditures	4	–
Local Government General Support Grant	12	–
Jobs Fund	72	13
	3,226	2,844

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF REVENUE

For the Year Ended March 31, 1984

	March 31, 1984 ($ millions)	March 31, 1983 ($ millions)
Taxation:		
Individual Income Tax	596	631
Retail Sales Tax	355	267
Corporation Income Tax	111	54
Levy for Health and Post Secondary Education	108	56
Gasoline Tax	100	84
Tobacco Tax	54	45
Motive Fuel Tax	42	32
Revenue Act, 1964, Part 1	30	23
Corporation Capital Tax	24	23
Mining Tax	24	-
Oil and Natural Gas Tax	15	13
Insurance Corporation Tax	14	13
Mining Royalty Tax	10	-
Reciprocal Taxation Agreement	10	-
Pari-Mutuel Tax	5	5
Total Taxation Revenue	1,498	1,246
Other Revenue:		
Liquor Control Commission	128	119
Automobile and Motor Carrier Licences and Fees	28	26
Water Power Rentals	12	12
Minerals and Petroleum	8	6
Fines and Costs	6	5
Land Titles Fees	7	5
Municipalities	5	4
Parks	4	4
Forestry	2	2
Automobile and Drivers' Licences	4	2
Rentals from Various Government Properties	2	2
Other	55	57
Total Other Revenue	261	244
Total Own Source Revenue	1,759	1,490
Government of Canada:		
Equalization	478	458
Established Programs Cash Transfer	367	274
Current Operating Programs	181	152
Population Recovery Adjustment Payment	-	22
Revenue Related to Capital Assets	10	9
Government of Canada Subsidy	2	2
Share of Federal Oil Export Tax	-	2
Total Revenue from Government of Canada	1,038	919
Total Revenue	2,797	2,409

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA
SUMMARY STATEMENT OF TRANSACTIONS IN LONG-TERM INVESTMENTS, ADVANCES AND OTHER RECEIVABLES

For the Year Ended March 31, 1984

	March 31, 1984 ($ millions)	March 31, 1983 ($ millions)
Crown Corporations, Agencies, Boards and Commissions:		
Increase in Advances:		
Manitoba Hydro-Electric Board	201	278
Manitoba Telephone System	65	65
Manitoba Forestry Resources Ltd.	149	13
Manitoba Housing and Renewal Corporation	56	12
Manitoba Agricultural Credit Corporation	33	20
Manitoba Beef Stabilization Fund	6	4
Manitoba Hog Producers' Marketing Board	4	-
Manitoba Water Services Board	3	2
Manitoba Development Corporation	1	14
Other Crown Corporations, Agencies, Boards and Commissions	4	4
	522	412
Repayment of Advances:		
Manitoba Hydro-Electric Board	184	11
Manitoba Telephone System	53	5
Manitoba Forestry Resources Ltd.	115	-
Manitoba Agricultural Credit Corporation	10	8
Manitoba Development Corporation	3	3
Manitoba Mineral Resources Ltd.	3	-
Manitoba Water Services Board	1	3
Other Crown Corporations, Agencies, Boards and Commissions	3	3
	372	33
Increase in Sinking Funds provided by Crown Corporations or Boards for Repayment of Debt Applicable to Advances	5	16
	377	49
Net Increase in Advances to Crown Corporations, Agencies, Boards and Commissions	145	363
Net Increase (Decrease) in Long-Term Investments:		
Manitoba Mineral Resources Ltd.—Shares	7	-
Manitoba Oil and Gas Corporation—Shares	5	-
Manitoba Forestry Resources Ltd.—Shares and Debentures	(8)	4
	4	4
Other Advances and Receivables		
Increase in Other Advances and Receivables:		
Insulation Loan Program	6	5
Emergency Interest Rate Relief Program	4	2
Canadian Co-operative Implements Ltd	3	-
Municipal Corporations	-	1
	13	8
Repayment of Other Advances and Receivables:		
Insulation Loan Program	5	1
Municipal Corporations	2	1
Other Receivables	-	1
	7	3
Net Increase in Other Advances and Receivables	6	5

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

SUMMARY STATEMENT OF DEBT TRANSACTIONS

For the Year Ended March 31, 1984

	March 31, 1984 ($ millions)	March 31, 1983 ($ millions)
Proceeds of Loans:		
To Provide For:		
General Government Programs	507	464
Manitoba Hydro-Electric Board	85	227
Manitoba Telephone System	61	65
Manitoba Housing and Renewal Corporation	42	–
Manitoba Jobs Fund Programs	55	–
Manitoba Forestry Resources Ltd.	11	–
Manitoba Beef Stabilization Fund	10	4
Manitoba Mineral Resources Ltd.	6	–
Venture Capital Program	1	–
Canadian Co-op Implements Ltd.	–	1
Credit Union and Caisses Populaire Assistance	–	30
Emergency Interest Rate Relief Program	–	9
Insulation Loan Program	–	2
Various Municipalities	–	1
Funding advances previously made to:		
Manitoba Agricultural Credit Corporation	75	1
Manitoba Housing and Renewal Corporation	8	12
Manitoba Water Services Board	–	2
	861	818
Refunding Matured Provincial Securities re:		
General Government Programs	70	71
Manitoba Hydro-Electric Board	116	51
Manitoba Telephone System	4	–
	1,051	940
Debt Assumed by Province:		
Transferred from The Manitoba School Capital Financing Authority	215	–
Total Proceeds of Loans	1,266	940
Less: Debt Assumed by Province	215	–
Debentures issued under Financial Assistance Agreements	–	30
Net Proceeds of Loans	1,051	910
Retirement of Loans:		
General Government Programs	65	80
Manitoba Hydro-Electric Board	184	11
Manitoba Telephone System	53	5
Manitoba Data Services	1	1
Manitoba Agricultural Credit Corporation	–	11
Manitoba Development Corporation	–	5
Manitoba Housing and Renewal Corporation	–	8
Manitoba Water Services Board	–	6
Various Municipalities	2	1
Total Retirement of Loans	305	128

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

OPERATING FUND ASSETS AND LIABILITIES

As at March 31, 1984

	March 31, 1984 ($ millions)	March 31, 1983 ($millions)
Assets		
Temporary Investments	800	773
Advances and Other Receivables:		
Crown Corporations, Agencies, Boards and Commissions (Note 5)	2,041	1,947
Government of Canada and Others (Note 6)	129	68
Long-Term Investments (Note 7)	251	247
	3,221	3,035
Less: Allowance for Losses on Realization of Assets (Note 8)	131	135
Total Assets	3,090	2,900
Serial Debentures of School Divisions and Districts Transferred from The Manitoba School Capital Financing Authority (Note 3)	201	–
Excess of Liabilities Over Recorded Assets (Note 9)	2,055	1,547
	5,346	4,447
Liabilities		
Amount Owing to The Trust Fund (Note 10)	470	497
Bank Overdraft and Promissory Notes	80	19
Accounts Payable, Accrued Charges and Funds Subject to Call	375	368
	925	884
Bonds, Debentures and Other Long-Term Debt (Note 11)	4,966	4,005
Less: Sinking Funds Provided (Note 12)	515	412
	4,451	3,593
Less: Debentures Issued under Financial Assistance Agreements (Note 13)	30	30
	4,421	3,563
Total Liabilities	5,346	4,447
Guaranteed and Indirect Liabilities		
Securities Guaranteed by the Government		
Self-Supporting Debt (Note 14)	1,625	1,649
Debt Serviced in Whole or in Part from the Consolidated Fund (Note 15)	19	238
	1,644	1,887
Less: Applicable Sinking Funds (Note 16)	241	223
	1,403	1,664

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

EXCESS OF LIABILITIES OVER RECORDED ASSETS

As at March 31, 1984
(in $ millions)

Balance March 31, 1983		1,547
Prior Years' Adjustments:		
Accounting Adjustment Regarding Grant Payments to School Divisions (Note 1)	72	
Accounting Adjustment To Record Taxes Collected and Held by Agents in March 1983 (Note 2)	(40)	
Cancellation in Part of Preferred Shares of Manitoba Forestry Resources Ltd. (Note 4)	51	83
		1,630
Excess of Expenditure over Revenue for the fiscal year ended March 31, 1984		429
		2,059
Deduct:		
Decrease in Allowance for Losses on Realization of Assets:		
March 31, 1983 Balance	135	
March 31, 1984 Balance	131	4
Balance March 31, 1984		2,055

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

GOVERNMENT OF THE PROVINCE OF MANITOBA

STATEMENT OF VALUATION AND PURPOSE OF BONDS, DEBENTURES AND OTHER LONG-TERM DEBT OUTSTANDING

As at March 31, 1984

Valuation of Debt	Par Value ($ millions)	Canadian Dollar Equivalent at Date of Issue ($ millions)	Exchange Rate as at March 31, 1984	Current Canadian Dollar Equivalent ($ millions)
Direct Debt Payable in:				
Canadian Dollars	2,699	2,699	1.00	2,699
U.S. Dollars	1,035	1,212	1.2765	1,321
Swiss Francs	826	461	.5933	490
European Units of Account	32	40	1.5117	49
Japanese Yen	78,100	386	.005549	434
Deutsche Marks	350	168	.4921	172
Total Direct Debt		4,966		5,165
Guaranteed Debt Payable in:				
Canadian Dollars	641	641	1.00	641
U.S. Dollars	926	931	1.2765	1,182
Swiss Francs	160	56	.5933	95
Deutsche Marks	45	14	.4921	22
Pounds Sterling	1	2	1.835	2
Total Guaranteed Debt		1,644		1,942
Total Direct and Guaranteed Debt		6,610		7,107
Less: Sinking Funds		757		757
Net Direct and Guaranteed Debt		5,853		6,350
Purpose of Debt				
General Government Programs		2,849		2,939
Other:				
Manitoba Hydro-Electric Board		2,793		3,151
Manitoba Telephone System		552		598
Manitoba Agricultural Credit Corporation		160		161
Manitoba Housing and Renewal Corporation		109		111
Manitoba Jobs Fund Programs		55		55
University of Manitoba		22		22
Manitoba Water Services Board		18		18
Federal-Provincial Loan Agreements		13		13
Manitoba Forestry Resources Ltd.		11		11
Manitoba Beef Stabilization Fund		10		10
Manitoba Data Services		9		9
Manitoba Mineral Resources Ltd.		5		5
Venture Capital Program		1		1
Municipal, Hospital and Other Indebtedness		3		3
		3,761		4,168
Total Direct and Guaranteed Debt		6,610		7,107
Less: Sinking Funds		757		757
Net Direct and Guaranteed Debt		5,853		6,350

See accompanying Accounting Policies and Notes to the Financial Statements for further explanation of items shown on this statement.

NOTES TO THE FINANCIAL STATEMENTS

(All Figures in millions of dollars)

1. **Accounting Adjustment Regarding Provincial Grant Payments to School Divisions**
   This adjustment results from the Government's decision to improve the accounting for payments to School Divisions so that school expenditures will be reflected in the Government's accounts in the fiscal year in which they are incurred. Consequently, payments made in April, 1983, totalling $72 million which cover services provided during the period January to March, 1983, have been transferred from the Department of Education appropriation to the Excess of Liabilities Over Recorded Assets account as a prior year adjustment. Offsetting this adjustment are payments of $67 million for the comparable period in 1984 which have been recorded as a Public Schools Support expenditure for the 1983-84 fiscal year.

2. **Provincially Collected Tax Revenue**
   An inconsistency in the accounting treatment for provincially collected tax revenue was adjusted in the 1983-84 fiscal year. Amounts received in April, 1984 with respect to collections by Agents in March, 1984 are now recorded as an account receivable at March 31, 1984 and have been included in revenue for the 1983-84 fiscal year. The adjustment of $40 million represents amounts received in April, 1983 with respect to collections by agents in March, 1983.

3. **Serial Debentures Transferred from the Manitoba School Capital Financing Authority**
   On April 1, 1983, by an Act of the Legislature, The Manitoba School Capital Financing Authority was dissolved and all of its assets represented by $212 million of investments in School Division and District Serial Debentures, $3 million in cash and its liabilities represented by $215 million of Debentures issued by the Authority and guaranteed by the Government were assumed by the Province. The cash balance and the principal repayments received on the investments are to be allocated to the Province of Manitoba Sinking Fund for the retirement of the liabilities assumed by the Province.

4. **Cancellation, in Part, of Preferred Shares of Manitoba Forestry Resources Ltd.**
   The initial capital deficit of Manitoba Forestry Resources Ltd. (MFR) representing costs incurred in excess of the actual value of the assets of Churchill Forest Industries (CFI) taken over by MFR in 1973 has been carried in the accounts of the Government in the form of preferred shares of MFR pending conclusion of legal proceedings related to CFI. With legal action substantially concluded, the Government, by Order in Council No. 1296/83 dated November 30, 1983 authorized the write-off of $51 million of MFR's liability to the Government representing MFR's capital deficit. This adjustment has been reflected in the Government's accounts as a cancellation, in part, of the preferred shares of MFR which were formerly held by the Government as long-term investments.

5. **Crown Corporations, Agencies, Boards and Commissions**
   Advances outstanding at March 31 are listed on the following table. Advances are reduced by sinking funds provided by certain Crown Corporations and Boards for repayment of the debt issued to fund the advances to these entities. Further details of sinking fund amounts are shown in note 9.

	1984	1983
Manitoba Hydro-Electric Board	$1,378	$1,360
Manitoba Telephone System	349	338
Manitoba Agricultural Credit Corporation	196	173
Manitoba Housing and Renewal Corporation	132	76
Manitoba Water Services Board	17	15
Manitoba Forestry Resources Ltd.	–	17
Manitoba Development Corporation	13	16
Manitoba Data Services	10	11
University of Manitoba	5	5
The Liquor Control Commission	4	5
Manitoba Beef Stabilization Fund	10	4
Other	16	11
	$2,130	$2,031
Sinking Funds	89	84
	$2,041	$1,947

The Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables provides information on the changes that occurred in the advance accounts during the fiscal year.

6. Government of Canada and Others

Amounts in this category, which are due within one year of the statement date are classified as "Current Amounts". The "Current Amounts" balance, includes shared-cost expenditures recoverable from the Government of Canada in the amount of $42 million and Provincially Collected Tax Revenue in the amount of $47 million.

Changes in the "Not Current" amounts included in this category are shown on the Summary Statement of Transactions in Long-Term Investments, Advances and Other Receivables.

The following summarizes all balances at March 31:

	1984	1983
Current Amount	$89	$34
Municipal Corporations	13	15
Others	27	19
	$129	$68

7. Long-Term Investments

Long-Term Investments consist of shares and debentures of Crown Corporations with the exception of a $3 million investment in Tantalum Mining Corporation of Canada Limited and a $.5 million investment in shares of the Northland Bank. The following summarizes the balances at March 31:

	1984	1983
Manitoba Forestry Resources Ltd.	$178	$185
Manitoba Development Corporation	50	50
Leaf Rapids Town Properties Ltd.	6	7
Manitoba Mineral Resources Ltd.	7	–
Manitoba Oil and Gas Corporation	5	–
Other Crown Corporations	1	1
Other Investments	4	4
	$251	$247

8. Allowances for Losses on Realization of Assets

The allowance provides for the decrease in value of advances and investments in the following Crown Corporations, Boards, Commissions and Agencies.

	1984	1983
Manitoba Forestry Resources Ltd.	$80	$107
Manitoba Development Corporation	26	16
Manitoba Water Services Board	4	4
Manitoba Mineral Resources Ltd.	1	–
Manitoba Beef Stabilization Fund	8	4
Manitoba Hog Producers' Marketing Board	4	–
A.E. McKenzie Co. Ltd.	8	4
	$131	$135

9. Excess of Liabilities Over Recorded Assets

This account usually records the changes in the Province's "Net Assets" which result from operating deficits or a recalculation of the Allowance for Losses on Realization of Assets. It may also be used to record adjustments to the Government's Asset and Liability accounts which result from a change in accounting policy or adjustments resulting from the operations of previous fiscal years which do not directly affect the Revenue and Expenditure of the fiscal year being reported. A separate statement of this account is included on Page 22 of this Publication.

10. Amount Owing to the Trust Fund

The Government's policy with respect to money management requires that all short-term investments be made in the Operating Fund regardless of the source of the money. The balance shown here consists primarily of surplus cash of Crown Corporations, Agencies, Boards and Commissions on deposit with the Minister of Finance for investment, but not specifically invested. At any time the aggregate amount and the average term of short-term investments may or may not equal the aggregate amount and the average term of the trust funds on deposit with the Government. At March 31, 1984, the amount of Temporary Investments exceeded the amount advanced from the Trust Fund by $330 million.

11. Bonds, Debentures and Other Long-Term Debt

The Summary Statement of Debt Transactions provides information regarding new direct debt issued and debt retired during the fiscal year. Approximately 46% of the direct debt payable at March 31, 1984 is in foreign currencies. The Statement of Valuation and Purpose of Bonds, Debentures and Other Long-Term Debt provides a breakdown by type of currency as well as a revaluation of this debt at the exchange rates in effect at year end. The statement also summarizes the purpose for which the debt was issued, showing the amount incurred for general government programs separate from debt incurred on behalf of government agencies and others.

12. Sinking Funds Provided

Sinking funds are provided for repayment of debt issued by the Province for its own purposes as well as the debt issued by the Province on behalf of its Crown Corporations and Boards. In the latter case, contributions to the sinking funds are made by the entity to which the debt applies. The status of contributions at March 31, was as follows:

	1984	1983
Provincial Contributions	$427	$328
Crown Corporations and Boards:		
Manitoba Hydro-Electric Board	$ 72	$ 68
Manitoba Telephone System	12	12
Manitoba Housing and Renewal Corporation	4	4
Total Crown Corporations and Boards	$ 88	$ 84
Total Sinking Funds	$515	$412

13. Debentures Issued Under Financial Assistance Agreements

Bonds, Debentures and Other Securities include debentures in the amount of $30 million which were issued under agreements with the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires. Under these agreements the Credit Union Stabilization Fund and Les Fonds de Securite des Caisses Populaires received advances of $25 million and $5 million respectively in the form of provincial debentures which are required to be cancelled at maturity. The purpose of this arrangement was to provide financial assistance to these aforementioned entities during the term of the debenture consistent with the interest payable on these debentures.

14. Self-Supporting Debt

The Province guarantees the following debt which is considered to be self-supporting:

	1984	1983
Manitoba Hydro-Electric Board	$1,415	$1,420
Manitoba Telephone System	203	222
Manitoba Water Services Board	6	6
Various Cities and Towns	1	1
	$1,625	$1,649

Approximately 62% of this debt is in foreign currencies. A revaluation of this foreign debt at the exchange rates in effect at fiscal year end is shown on the Statement of Valuation and Purpose of Bonds, Debentures, and Other Securities Outstanding.

15. Debt Serviced in Whole or in Part from the Consolidated Fund

The Province guarantees the following debt which is serviced in whole or in part from the Consolidated Fund:

	1984	1983
Manitoba School Capital Financing Authority	$ –	$215
University of Manitoba	17	21
Various Hospital and Other Institutions	2	2
	$19	$238

All of this debt is payable in Canadian Dollars.

16. Securities Guaranteed by the Government – Sinking Funds

Sinking Funds are provided, mainly by those entities with self-supporting debt, for retirement of the guaranteed debt, as follows:

	1984	1983
Manitoba Hydro-Electric Board	$193	$172
Manitoba Telephone System	35	36
Manitoba Water Services Board	1	1
University of Manitoba	12	14
	$241	$223

ACCOUNTING POLICIES

Statement

The basic accounting policies followed by the Government of Manitoba, which have been applied in the preparation of these Financial Statements are summarized below. These policies have been developed and are applied in accord with the provisions of the Financial Administration Act, which is Chapter F55 of The Continuing Consolidation of The Statutes of Manitoba. Further information regarding their application to the financial transactions of the Government is provided in the section entitled "Application".

I. The Accounting Entity

The financial transactions of the Government are recorded in "The Consolidated Fund". The activities of The Consolidated Fund are divided into the "Operating Fund", which records the operational activities of the Government, and the "Trust Fund", which records the trust administration function.

Financial statements prepared for the "Operating Fund" report amounts received as Government revenue, expenditure on Government programs, the lending and investment of Government funds and the borrowing and repayment of debt. Financial statements prepared for the "Trust Fund" report the activities in the various categories of trust money administered by the Government.

The financial operations of the provincial Crown Corporations, Agencies, Boards and Commissions are reflected in The Consolidated Fund to the extent that:

1) They receive money from or pay money to the Government.

2) Any deficits they incur are adjusted against the amounts loaned, advanced or invested in them by the Government.

II. Cash Basis of Accounting

A Revenue

i) Revenue, with the exception of provincially collected tax revenue, shared-cost receipts and Canada-Manitoba Fiscal Arrangements, is ordinarily recorded on a cash basis. Accordingly, all money received by Departments on or before March 31 is included in the revenue for the fiscal year, provided that it is deposited with the Minister of Finance prior to the fifteenth day of April, immediately following.

ii) Provincially collected taxes received by the Government in April with respect to collections made by Agents during March are recorded as revenue for the fiscal year just ended. These amounts are recorded as an account receivable from these Agents as at March 31.

iii) Money received pursuant to shared-cost agreements and arrangements that extend over more than one fiscal year is recorded as revenue in each fiscal year in proportion to the related expenditure made in the respective year. Accordingly, the uncollected balance of the shared-cost claims related to the fiscal year being reported will be included in the revenue of that fiscal year.

iv) Revenue and expenditure are recorded in gross amounts (referred to as the Gross Accounting Concept) with the exception of the Municipal Share of Individual and Corporation Income Taxes, which is paid to Municipalities in accordance with the Provincial-Municipal Tax Sharing Act and is not recorded as revenue by the Government.

v) Recoveries from Crown Corporations and Government Agencies of the debt servicing costs on self-supporting debt and certain investment income are recorded as a reduction of Public Debt expenditure.

B Expenditure

Expenditure is recorded on a cash basis, modified to allow an additional forty-five days after the end of the fiscal year for the processing of payments pertaining to that fiscal year. Salaries and wages, however, are charged to the fiscal year in which they are paid. As well, an accrual is made to March 31st for interest payable on bonds, debentures and other long-term debt.

III. Assets and Liabilities

1. The assets and liabilities reported in the financial statements are financial claims consisting of assets which are claims by the Government on other parties and liabilities which are claims by other parties on the Government.

2. Expenditure for the acquisition and/or construction of physical assets together with inventories and other deferred expenditures is not considered to differ from any other service to the public and accordingly is treated as an expenditure of the year in which it is made. Since such expenditure does not represent financial claims on others, it is not reported as an asset at fiscal year-end. This does not negate the fact that the Government has substantial holdings of physical assets such as buildings, highways and education, and health facilities, which may tend to appreciate in value over time.

3. Amounts loaned, advanced or invested in Crown Corporations, Agencies, Boards and Commissions are subject to annual revaluation. An Allowance For Losses On Realization Of Assets is provided and is adjusted annually to reflect the estimated change in value of these assets.

4. Bonds, debentures and other long-term debt are recorded as liabilities at the par value of such securities and any discount, premium or commission expense is treated as an expenditure of the year in which it is incurred. For foreign issues, the par value is converted to Canadian Funds at the exchange rate in effect at the date of issue, or the actual conversion rate of the proceeds. Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act.

IV. Guaranteed and Indirect Liabilities

In addition to having direct debt, the Government also acts as a guarantor of securities issued by various other entities. The debt guaranteed pertaining to Crown Corporations, Agencies, Boards and Commissions is largely self-supporting. Other guaranteed debt for schools, universities and hospitals is serviced in whole or in part from appropriations of the Consolidated Fund. Legislation requires the maintenance of Sinking Funds for the retirement of the debt of most Crown Corporations, Agencies, Boards and Commissions. These Sinking Funds are maintained by the Minister of Finance through annual contributions from the Crown Corporation, Agency, Board or Commission to whom the debt applies and are held in the Trust Fund.

Other Contingent Liabilities that result from other financial activities of the Government are also reported annually in the Public Accounts.

Application

The following outlines the application of these accounting policies to the financial transactions of the Government:

I. Revenue

The revenue of the fiscal year is generally the amount received during the fiscal year. Exceptions are made for provincially collected taxes, shared-cost receipts, and Revenue from the Government of Canada, which are subject to the following additional practices:

a) Provincially collected taxes received by the Government in April with respect to collections made by Agents during March are recorded as revenue for the fiscal year just ended. These amounts are recorded as an account receivable from these Agents as at March 31.

b) Where, pursuant to an agreement or arrangement, money is received in advance relating to projects for which expenditure is to be made in more than one fiscal year, the money is deemed to have been received in each fiscal year in proportion to the related expenditure made in the respective fiscal year.

c) It is the practice to show the uncollected balance of claims related to shared-cost agreements with the Government of Canada as an account receivable at March 31. This accrual is made in order that the revenue from this source is recorded in proportion to the related expenditure incurred in the fiscal year.

d) An additional practice is in effect regarding revenue from the Government of Canada under the Canada-Manitoba Fiscal Arrangements. The accounts are kept open until June 30 to reflect any adjustments to this revenue for the fiscal year just ended that the Government of Manitoba may become aware of before that date. Since this is a major source of Government revenue, this practice is considered necessary to show the financial condition of the Government in the most accurate manner possible.

II. Expenditure

The expenditure of the fiscal year is essentially the payments made from appropriations during the fiscal year and for a subsequent forty-five day period after March 31. The accounts remain open during this period to allow processing time for expenditure pertaining to the fiscal year just ended.

An exception to this procedure is made for the interest cost on the long-term debt of the Government. In this regard, an accrual is made to March 31st for the interest payable on bonds, debentures and other long-term debt. In the case of foreign issues, the accrual is based on the exchange rate that was recorded at the time of debt issue. There is no provision made for the fluctuation of foreign currencies between the debt issue dates and the interest payment dates.

The Allowance For Losses On Realization of Assets is not charged to an appropriation. This amount, which represents an estimate of the change in recoverable value of the loans, advances and investments in Crown Corporations, Agencies, Boards and Commissions during the fiscal year, is not shown on the Statement of Revenue and Expenditure. It is reported on the statement that discloses the Excess of Liabilities Over Recorded Assets unless there is a legal realization of the loss, in which case the final write off of the loan, advance or investment will be disclosed after the operating results on the Summary of Revenue and Expenditure. The final write off of the loan, advance or investment will be detailed as to the year in which the allowance was recorded.

Payments made by the Government for the purposes of acquiring property or physical assets are classified in a separate category of expenditure called "Expenditures Related to Capital Assets" and are defined as follows:

a) Expenditures for property of all kinds, both real property and chattels, purchased or self-constructed for use by Government that are deemed to have an economic life in excess of one year.

b) Expenditures for projects or activities which entail major renewals, modification or modernization by own labour forces on behalf of the Government. The expenditures should significantly prolong the expected economic life of the asset.

c) The principal portion of a debt repayment when the debt was incurred to acquire a physical asset and the acquisition cost of the physical asset was not previously reflected in the consolidated fund as an expenditure.

d) Grants or assistance payments to municipalities, school divisions, external agencies, commercial organizations and private individuals which are known to be for the purchase, construction or improvement of physical assets.

III. Assets and Liabilities

The statement of Assets and Liabilities is prepared in accordance with the following practices:

1. TEMPORARY INVESTMENTS

This category includes securities held as a result of the investment of the Government's cash flow and is generally comprised of money market instruments such as term deposits and negotiable securities which are intended to be held for a short term. All investments are shown at cost.

2. ADVANCES AND OTHER RECEIVABLES

Advances to Crown Corporation, Agencies, Boards and Commissions, which are generally interest bearing, are shown under this heading as well as financial claims on the Government of Canada and other parties. Amounts due within one year of the statement date are shown as "Current Amounts" and all others are classified as " Not Current". Balances under the advances category are not separated into a current portion and non-current portion even though repayment schedules may exist for some of these items. The Sinking Funds provided by Crown Corporations, Agencies, Boards and Commissions for repayment of the debt issued to fund advances to these entities are deducted from the advances.

Certain of the Crown Corporations are charged with a responsibility for administering Government programs for which they receive funds from Government appropriations. These funds are applied by the Corporation towards the program administration cost, including, in some cases, a portion of the interest they are charged on these advances. The principal repayment and/or interest charges for certain of the advances are dependent on total or partial funding from future appropriations of the Operating Fund.

3. LONG-TERM INVESTMENTS

The majority of the Province's long-term investments consist of shares and debentures of Crown Corporations. These investments are carried at cost which does not reflect the realizable value of the investments. Any decrease in the estimated realizable value is provided for in the Allowance For Losses On Realization of Assets, which is described in the next paragraph.

4. ALLOWANCE FOR LOSSES ON REALIZATION OF ASSETS

An allowance is provided for decreases in the value of loans, advances and investments and is adjusted annually for changes that may occur in the estimated realizable value of these assets. The allowance is intended to provide for the accumulated deficits of the Crown Corporations, Agencies, Boards and Commissions in which the Government has invested money by way of loans, advances or purchases of shares. The valuation is based on the most recent audited financial statements applicable to the fiscal year being reported that are available at the time of publication of the Public Accounts. If the Government has more than one type of investment in an organization (eg. common shares, preferred shares and debentures), the accumulated deficit is assigned against the investments in order of priority on liquidation.

5. SERIAL DEBENTURES OF SCHOOL DIVISIONS AND DISTRICTS, TRANSFERRED FROM THE MANITOBA SCHOOL CAPITAL FINANCING AUTHORITY

The School Capital Financing Authority Act was repealed effective April 1, 1983 at which date all investments and money held by the Authority, as well as debt payable by the Authority, were assumed by the Government. The investments transferred to the Government consist of serial debentures issued by school divisions and districts for which the Government is primarily responsible for repayment. Accordingly, an annual appropriation is made in the Consolidated Fund to cover the principal and interest costs of these debentures.

The cash drawn from this appropriation for the required annual principal repayments is transferred to the Province's sinking fund where it will be used for repayment of the debt assumed from the authority. A similar treatment would be accorded any proceeds from the sale of the school debentures.

6. EXCESS OF LIABILITIES OVER RECORDED ASSETS

This account represents the difference between liabilities, which are financial claims owing by the Government, and recorded assets, which are financial claims receivable by the Government. Since the physical assets and materials inventories of the Government do not constitute a financial claim receivable by the Government, they

are not considered in the determination of this balance.

7. AMOUNT OWING TO TRUST FUND

A large portion of this money has been deposited with the Minister of Finance in accordance with the terms of the legislation regulating the management of sinking funds and surplus cash of Crown Corporations, Agencies, Boards and Commissions, but is not specifically invested. Such deposits are accorded a market rate of interest.

8. BANK OVERDRAFT AND PROMISSORY NOTES

This category represents the net overdraft in Government bank accounts adjusted for cheques issued prior to and not presented for payment at March 31 and for cash in transit. Short term promissory notes are issued in lieu of increasing bank overdraft or liquidating investments to accommodate fluctuations in the cash flow cycle and are therefore considered together with the bank overdraft. Cheques issued subsequent to March 31 but chargeable to the fiscal year just ended are described in the next category.

9. ACCOUNTS PAYABLE, ACCRUED CHARGES AND FUNDS SUBJECT TO CALL

Cheques issued during the forty-five day period after March 31, in payment for goods and services pertaining to the fiscal year just ended are shown as accounts payable rather than as outstanding cheques.

Accrued charges represent the accrual of interest on provincial securities.

Funds subject to call consist in part of money received from the Government of Canada that will not be taken into revenue until earned. This was earlier described as Deferred Revenue in paragraph 1 b). As well, this category includes the liability for uninvested cash belonging to the Provincial Sinking Fund. This cash is designated as part of the Provincial Sinking Fund and must be kept available for investment.

10. BONDS, DEBENTURES AND OTHER LONG-TERM DEBT

This category includes bonds, debentures, secured loans from the Government of Canada, treasury bills and notes. Securities issued in Canadian Funds are recorded at par value. Securities issued in foreign funds are recorded at the Canadian Dollar equivalent of the par value based on the actual conversion of the proceeds or at the exchange rate in effect at the date of issue if conversion does not take place at issue date. Securities payable in foreign funds issued for the purpose of refunding other issues payable in the same currency are recorded at the Canadian Dollar equivalent of the par value at the date of issue.

The Government is required, by legislation, to determine the Canadian Dollar equivalent of provincial securities issued in foreign currencies or units of monetary value at March 31st of each year. The amount determined must be published in the Public Accounts as information regarding the current valuation of this foreign debt.

11. SINKING FUNDS PROVIDED

Sinking funds are maintained in accordance with the legal requirements of the debt instruments and the Financial Administration Act. Money is allocated annually to these sinking funds on the following basis:

a) A sum equal to 3% of the aggregate amount of general purpose debt, in Canadian Dollars, outstanding at the end of the preceding fiscal year; and

b) All earnings derived from investing the sinking fund.

In addition principal repayments of advances which are funded by the issue of provincial securities are deposited to the sinking fund provided that the principal repayments are made prior to the maturity date of such securities.

The total shown for sinking funds also includes sinking fund money provided by Crown Corporations, Agencies, Boards and Commissions in respect to debt incurred on their behalf by the Government.

12. DEBENTURES ISSUED UNDER FINANCIAL ASSISTANCE AGREEMENTS

Bonds, debentures and other securities include debentures issued under agreements with the Credit Union Stabilization Fund and Les Fonds de Securité des Caisses Populaires whereby these organizations received advances in the form of provincial debentures which are required to be cancelled at maturity. The purpose of this arrangement was to provide for financial assistance to the aforementioned entities during the term of the debentures consistent with the interest payable on these debentures.

IV. Changes in Financial Position

This statement presents the changes in the Government's financial position during the fiscal year. For purposes of this statement, working capital is defined to include the following:

a) Cash
b) Temporary investments
c) Current portion of advances and other receivables

Minus

d) Amounts owing to Trust Fund
e) Bank overdraft and promissory notes
f) Accounts payable, accrued charges and funds subject to call